

April 19, 2005

Honorable Richard W. Pombo
Chairman
Committee on Resources
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Based on a preliminary review of the Domestic Energy Security Act, as approved by the Committee on Resources on April 13, 2005, CBO estimates that enacting this legislation would reduce direct spending by \$2.2 billion over the 2006-2010 period and by \$2.1 billion over the 2006-2015 period. The estimated direct spending effects are summarized below. (The bill would not affect federal revenues.) A table with additional details is attached.

	By Fiscal Year, in Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Estimated Budget Authority	57	59	-1,940	61	-431	46	39	41	39	-38
Estimated Outlays	57	59	-1,940	61	-431	46	39	41	39	-38

Major provisions of the legislation with direct spending costs include:

- Implementing an oil and gas leasing program in the Arctic National Wildlife Refuge,
- Providing royalty relief and similar incentives for producers of geothermal resources, coal, and onshore and offshore oil and natural gas, and
- Requiring the Secretary of the Interior to grant royalty credits to onshore oil, natural gas, and geothermal lessees, operators, or operating-rights owners who voluntarily incur costs to complete analyses required under the National Environmental Policy Act (NEPA).

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Implementing this legislation also would affect spending subject to appropriation action, but CBO has not completed an estimate of the potential discretionary costs.

This bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act. Several provisions in this bill would affect amounts received by the federal government for mineral leases on federal lands, and these receipts generally are shared with the states, so these provisions also would affect the states' share of receipts. CBO estimates that these changes would result in a large increase in federal mineral receipts paid to the state of Alaska, but a net reduction in payments to other states. The bill also would authorize payments to some coastal states from royalty receipts for leasing on the Outer Continental Shelf, but these payments would be subject to appropriation action until fiscal year 2016.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Deborah Reis, Kathleen Gramp, Lisa Cash Driskill, and Megan Carroll.

Sincerely,

Douglas Holtz-Eakin
Director

Attachment

cc: Honorable Nick J. Rahall II
Ranking Democrat

ESTIMATED BUDGETARY IMPACT OF THE DOMESTIC ENERGY SECURITY ACT ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING										
Title II - Geothermal Energy										
Estimated Budget Authority	2	2	2	2	2	2	2	2	2	2
Estimated Outlays	2	2	2	2	2	2	2	2	2	2
Title IV - Oil and Gas										
Offshore Deep Gas Royalty Relief										
Estimated Budget Authority	10	15	20	25	25	20	7	-5	-10	-10
Estimated Outlays	10	15	20	25	25	20	7	-5	-10	-10
Deep Water Royalty Relief										
Estimated Budget Authority	0	0	0	0	0	0	0	17	18	18
Estimated Outlays	0	0	0	0	0	0	0	17	18	18
NEPA Reimbursements										
Estimated Budget Authority	25	25	20	20	25	10	10	10	10	10
Estimated Outlays	25	25	20	20	25	10	10	10	10	10
Onshore Deep Gas Production Incentives										
Estimated Budget Authority	15	13	12	10	10	10	10	10	10	10
Estimated Outlays	15	13	12	10	10	10	10	10	10	10
Other Oil and Gas Provisions										
Estimated Budget Authority	4	3	5	4	6	4	10	7	9	6
Estimated Outlays	4	3	5	4	6	4	10	7	9	6
Subtotal, Title IV										
Estimated Budget Authority	54	56	57	59	66	44	37	39	37	34
Estimated Outlays	54	56	57	59	66	44	37	39	37	34
Title V - Coal Provisions										
Estimated Budget Authority	1	1	1	1	1	1	1	1	1	1
Estimated Outlays	1	1	1	1	1	1	1	1	1	1

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By Fiscal Year, in Millions of Dollars										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING										
Title VII - Oil and Gas Leasing in Arctic National Wildlife Refuge Bonuses, Rents, and Royalties										
Estimated Budget Authority	0	0	-4,000	-2	-1,000	-2	-2	-2	-2	-150
Estimated Outlays	0	0	-4,000	-2	-1,000	-2	-2	-2	-2	-150
Payments to Alaska from Arctic National Wildlife Refuge Receipts										
Estimated Budget Authority	0	0	2,000	1	500	1	1	1	1	75
Estimated Outlays	0	0	2,000	1	500	1	1	1	1	75
Subtotal, Title VII										
Estimated Budget Authority	0	0	-2,000	-1	-500	-1	-1	-1	-1	-75
Estimated Outlays	0	0	-2,000	-1	-500	-1	-1	-1	-1	-75
Total										
Estimated Budget Authority	57	59	-1,940	61	-431	46	39	41	39	-38
Estimated Outlays	57	59	-1,940	61	-431	46	39	41	39	-38

Note: NEPA = National Environmental Policy Act.
